

Service Date: July 28, 2003

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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| IN THE MATTER OF MID-RIVERS |) | UTILITY DIVISION |
| TELEPHONE COOPERATIVE, INC., |) | |
| Application for Telephone EAS |) | DOCKET NO. D2001.11.147 |
| Between the Musselshell Exchange |) | |
| and the Billings EAS Region |) | ORDER NO. 6481a |

FINAL ORDER

IMPORTANT NOTE: Mid-Rivers' evidence and argument pertaining to what has been referred to as the "third option" (a qualified optional EAS, explained and approved below), was presented for the first time at final public hearings in this matter. Fairness in procedures (if not the legal requirement of due process) requires a reasonable opportunity for the other parties of record (e.g., Qwest, Project, Triangle) to respond if objectionable to them. Therefore, these parties have 20 days from the service date of this order to object to this order for cause, supported by complete arguments. If an objection is received this order will be suspended without further action of the PSC and it or a modification of it will become effective after consideration of the objections. If no objections are received within 20 days of the service date above this order becomes effective without further action of the PSC.

Introduction

On November 7, 2001, Mid-Rivers Telephone Cooperative, Inc., (Mid-Rivers) applied before the Public Service Commission (PSC) for telephone extended area service (EAS) between the Mid-Rivers Musselshell exchange and the existing Qwest Communications (Qwest), Project Telephone Company (Project), and Triangle Telephone Cooperative (Triangle) Billings EAS region. Mid-Rivers' application was similar, if not identical to, a previous Mid-Rivers' request for EAS that was rejected by the PSC for reasons related to intercompany compensation. Discussions regarding this potential problem resulted in an amended application by Mid-Rivers on March 12, 2002.

The community of interest phase of this request for expansion of the Billings EAS region (to include the Musselshell exchange) was resolved June 16, 2002, by PSC action adopting previous community of interest determinations as final. The cost analysis and rate design phase of the EAS resulted in: Qwest proposing a \$0.03 increase to the Qwest monthly EAS surcharge (through deferral of a scheduled \$0.03 reduction) for a period of 28 months; Project and Triangle proposing no rate change; and Mid-Rivers proposing a flat rate \$12.00 per month EAS surcharge and a measured \$5.00 per month, \$0.05 per minute, EAS surcharge.

Public hearings were held June 13, 2003, in Musselshell and Shepherd. At hearing Mid-Rivers presented the "third option" for Musselshell EAS with the Billings region. Essentially it is a qualified optional EAS. At the same rates as identified above individual Musselshell exchange customers could choose flat-rate or measured-rate EAS (local calling to Billings region) or choose no EAS at all (toll calling to Billings region). If a Musselshell exchange customer chooses EAS, the choice is permanent. New customers in the Musselshell exchange would be required to take EAS. Current Musselshell customers not taking EAS could take EAS at anytime in the future. All calls from the existing Billings region into the Musselshell exchange would be local.

The "third option" changed the tenor of public comment to apparent unanimous support. Most involved seem to agree without the optional EAS one-half of the Musselshell exchange (primarily the northern / Musselshell area) is likely opposed to EAS and one-half (primarily the southern / Shepherd area) is likely in favor of EAS.

Optional EAS can be problematic because, in general it is not recognized as available pursuant to PSC rules adopted in 1995 and it has not been approved by the PSC in any EAS setting since adoption of those rules in 1995. Any existing optional EAS in Montana would likely have been in existence prior to the PSC rules. However, Mid-Rivers and Musselshell exchange customers presented a fairly solid case regarding unique circumstances of the establishment of the Musselshell exchange, the existence and growth of diverse communities of interest within it, and the absence of alternatives or cost-effective alternatives that would accommodate those Musselshell exchange customers who have obvious justification for EAS with the Billings region.

For these reasons the PSC approves expansion of the Billings EAS region to include the Mid-Rivers Musselshell exchange. In accordance with the conditions identified above the qualified optional EAS proposed by Mid-Rivers is approved. Mid-Rivers, Qwest, Project, and Triangle shall implement the expansion to the Billings EAS region within 180 days of the service date above.

Done and dated this day of 1st day of July, 2003, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ROWE, Chairman

THOMAS J. SCHNEIDER, Vice-Chairman

MATT BRAINARD, Commissioner

GREG JERGESON, Commissioner

JAY STOVALL, Commissioner

ATTEST:

Commission Secretary

(SEAL)